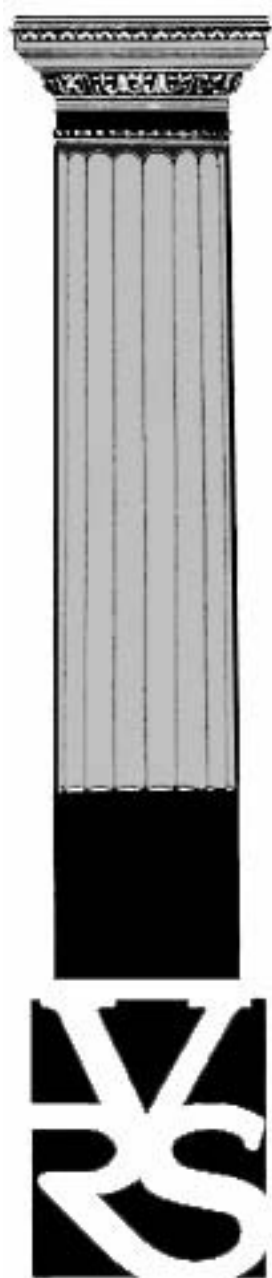The

Virginia Retirement System

Presentation to the

Joint Legislative Audit and Review Commission
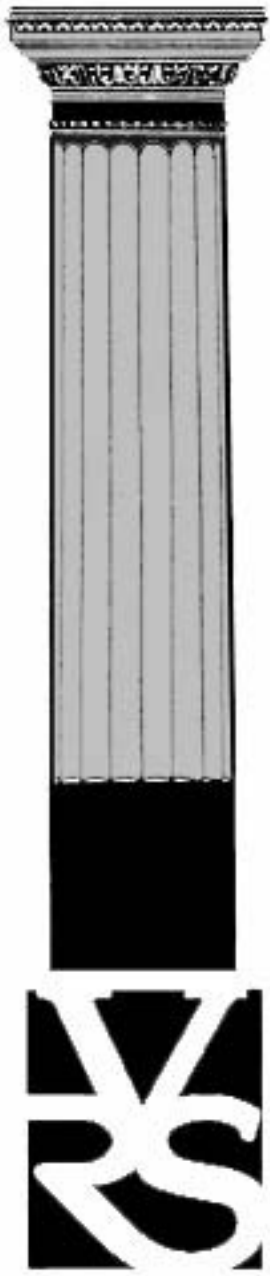
July 8, 2002

Forrest Matthews, Director

VRS Membership Distribution

State	78,706
Teacher	130,005
Pol. Sub.	89,533
SPORS	1,751
JRS	406
VaLORS	10,087
Total	**310,488**
Retirees/Beneficiaries	103,516
Inactive - Vested	25,362
Inactive - Non-vested	68,774
VRS Overall Impact	**508,140**

As of May 31, 2002

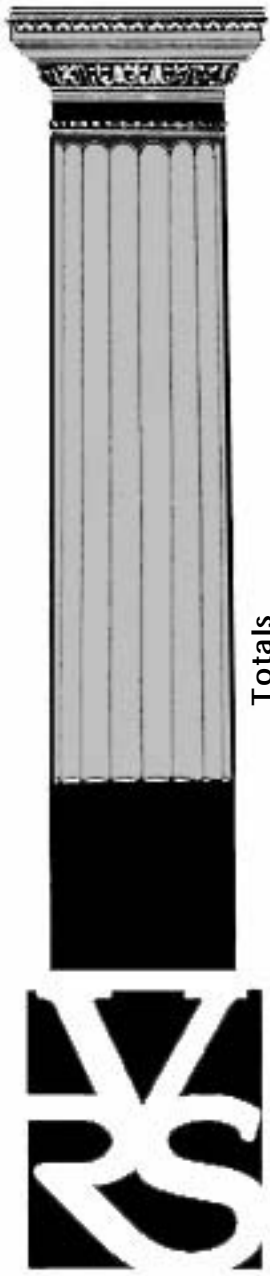# Virginia Retirement System Participating Employers

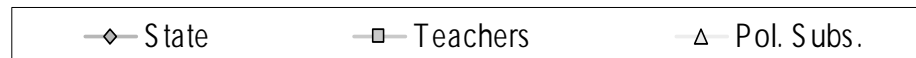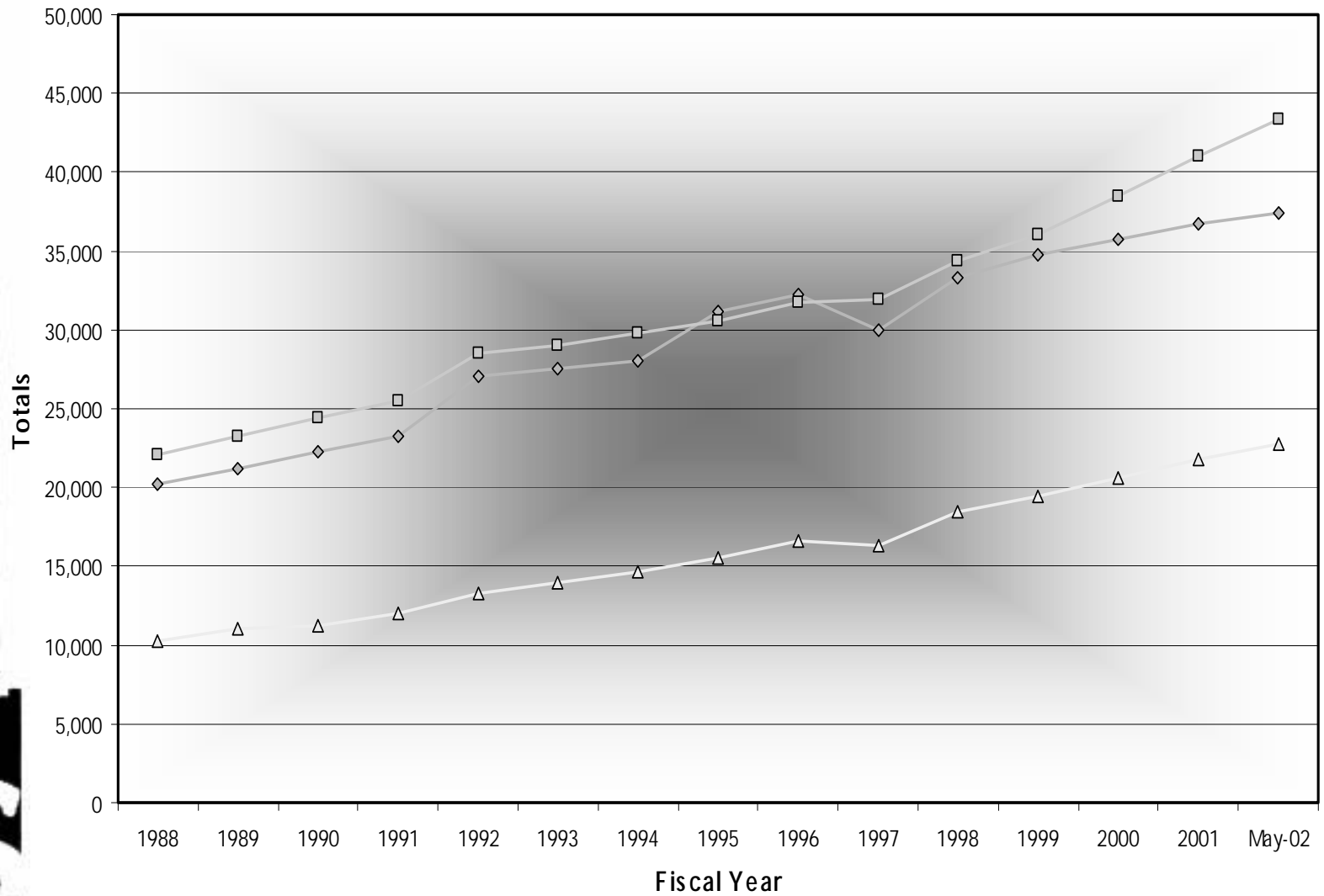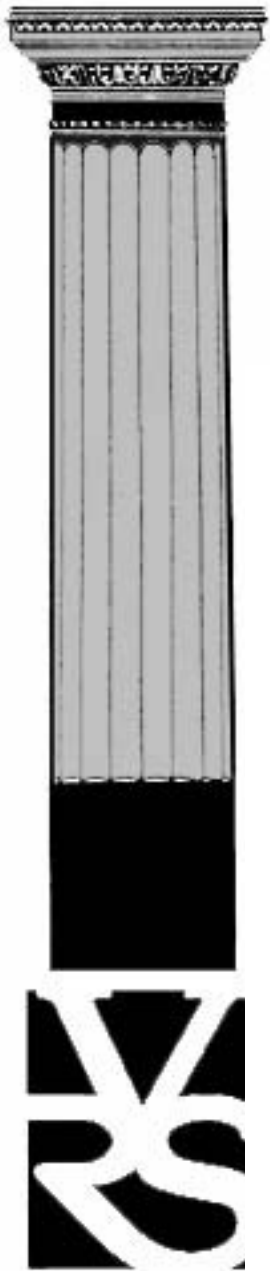|	
Counties/Cities/Towns	237
Special Authorities	165
School Divisions	148
State Agencies	235
Total	**785**

As of June 30, 2001
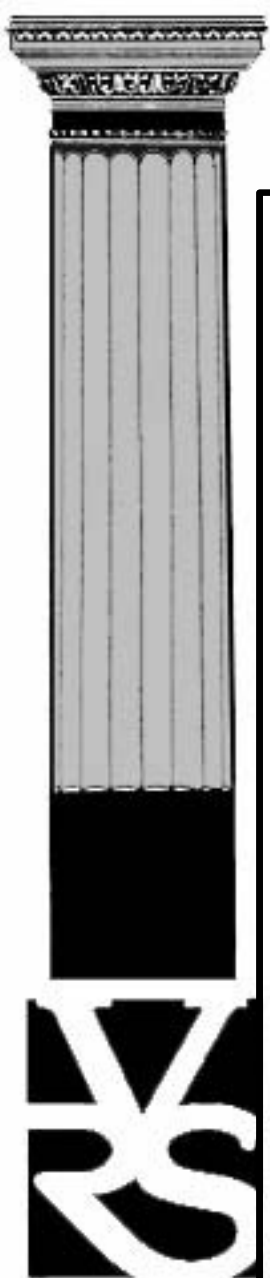
VRS Active Members

VRS Retirees

5
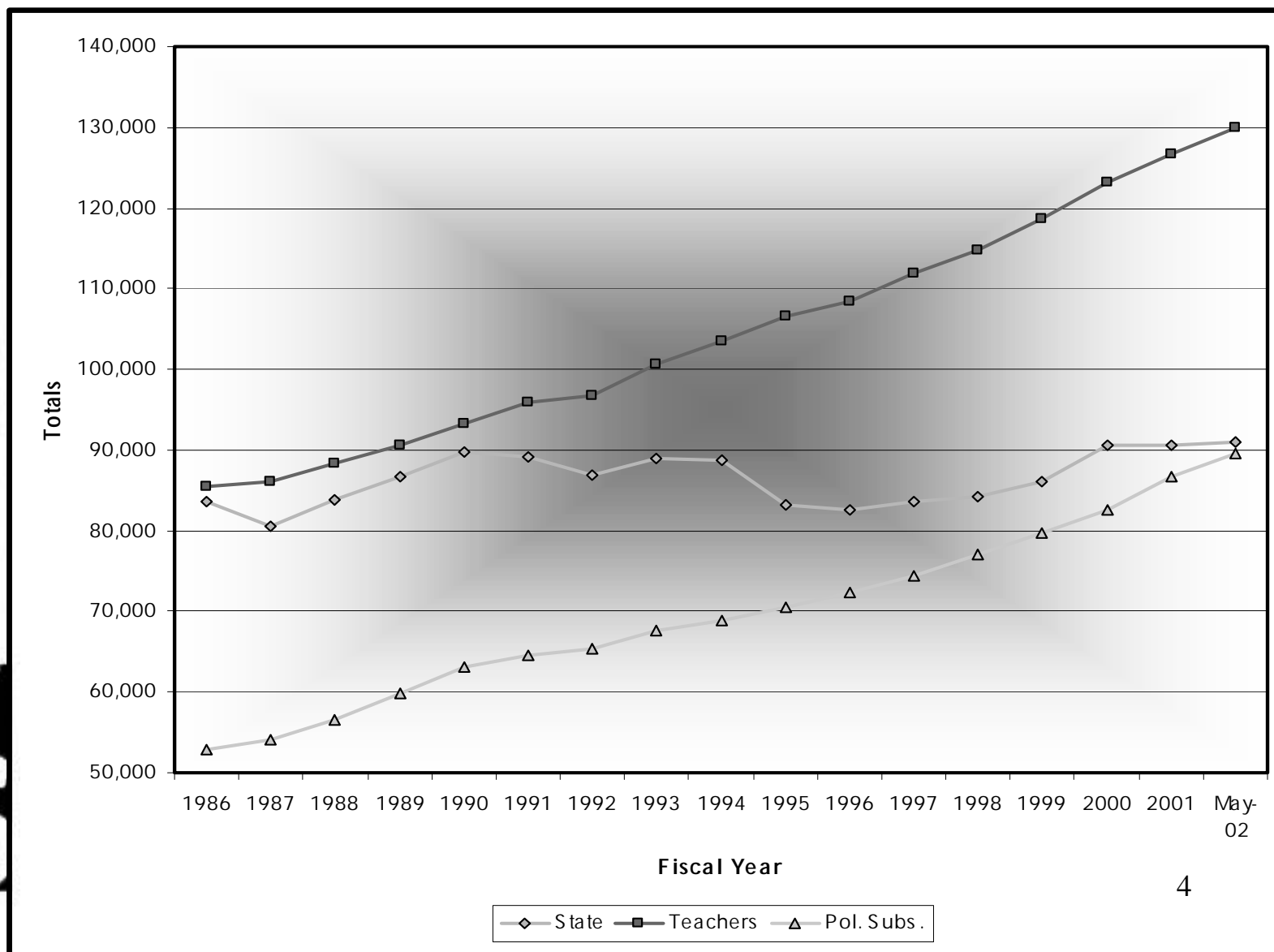
Age Categories of Active Members
The Wave is Coming!!

Number of VRS Members

Age Category	Number of VRS Members
Over 60	17,662
50 - 60	82,268
40 - 50	98,371
30 - 40	71,782
Less than 30	40,405

Age Category   (as of May 2002)
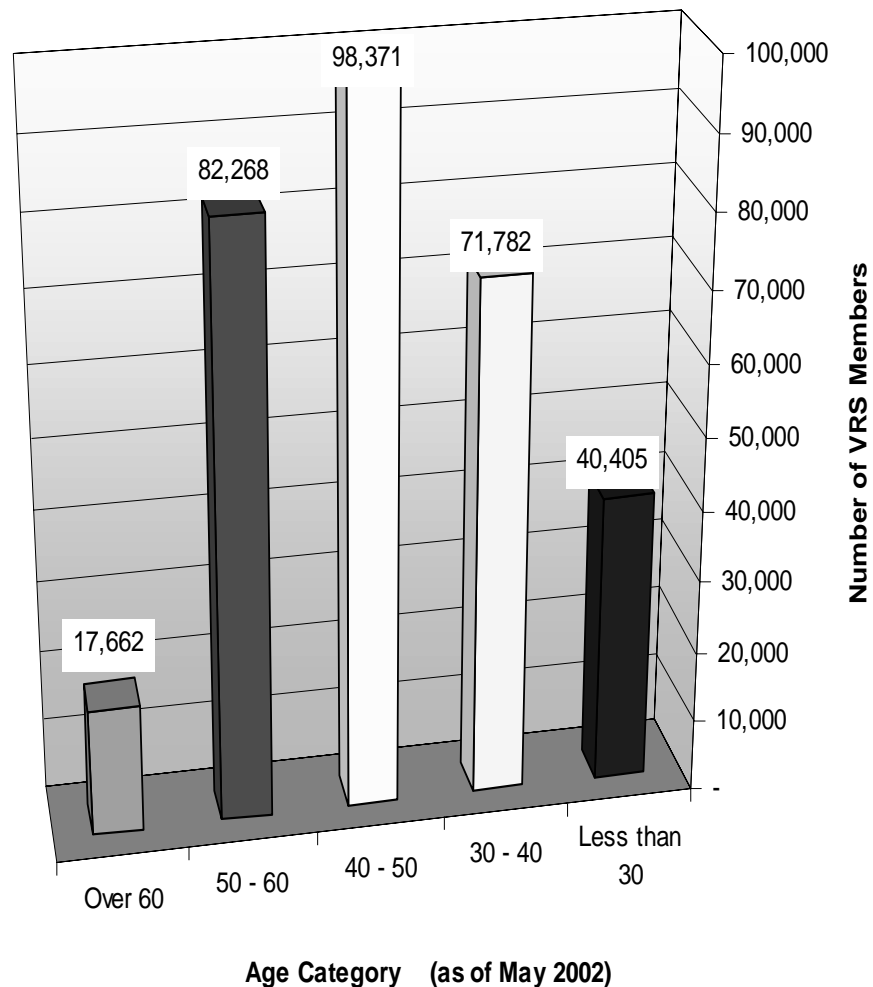
Administrative Expenses by Cost Object

Disability Pensions
Communications to Members
Pension Inceptions
Member Telephone Calls
Paying Pensions
Employer Services
Collections and Data Maintenance
Financial Control and Governance
Investments
Service Credit Purchases
Group Life
Disability - Appeals
Defined Contribution Plans
Refunds
Retiree Health Credit
Legislative Affairs
Sickness and Disability
Pension Estimates
Retiree Health
Knowledge Mgt. System
Optional Life
Volunteer Firefighters
Long Term Care Program

International Benchmarking

We are comparing ourselves to other large, quality public pension systems, both domestic and foreign.

Benefits achieved include being able to adapt "Best Practices" of others to suit our own needs.

49 leading international pension systems participate in CEM's Benefit Administration Benchmarking Service.

2001 Participants

United States (30 systems)

Alaska
Arizona
California Public Employees
California State Teachers
Colorado PERA
Idaho PERS
Illinois MRF
Indiana PERF
Indiana STRF
Kansas PERS
Los Angeles County ERA
Louisiana State ERS
Massachusetts Teachers' RS
Michigan MERS
Michigan ORS
Missouri State ERS
New Jersey DP&B
New York City Teachers' RS
New York State & Local
North Carolina
Ohio PERS
Ohio Police & Fire
Ohio SERS
Oregon PERS
South Carolina
STRS Ohio
Texas MRS

Virginia
Washington State DRS
Wisconsin

Canada (6 systems)

Defense Canada
HOOPP
Local Authorities Pension Plan
Ontario Municipal ERS
Ontario Teachers
Public Works & Government Service Canada

Australia (5 systems)

Western Australia GESB
ComSuper
GSO Victoria
Pillar Administration
QSuper

The Netherlands (Dutch data is excluded from this analysis)
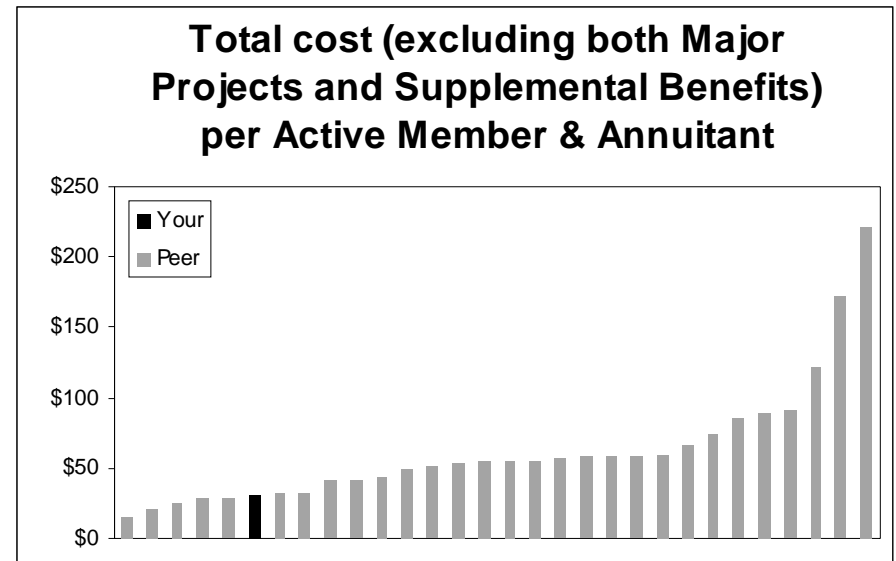
ABP
Bpf Bouw
BPMT/ MN Services
PGGM
PMI
PVF met 1 fonds
SFS
Shell Pensioenfonds Beheer BV

9

Your total cost of $31 per active member and annuitant is substantially below the peer median cost of $55.

Your cost (excluding Major Projects and Supplemental Benefits) of $31 is less than the peer median cost of $55.

Total cost (excluding both Major Projects and Supplemental Benefits) per Active Member & Annuitant

If we add back the cost of Major Projects, your cost of $32 is 3rd lowest. The peer median cost ois $62.

Total cost (including Major Projects but excluding Supplemental Benefits) per Active Member & Annuitant
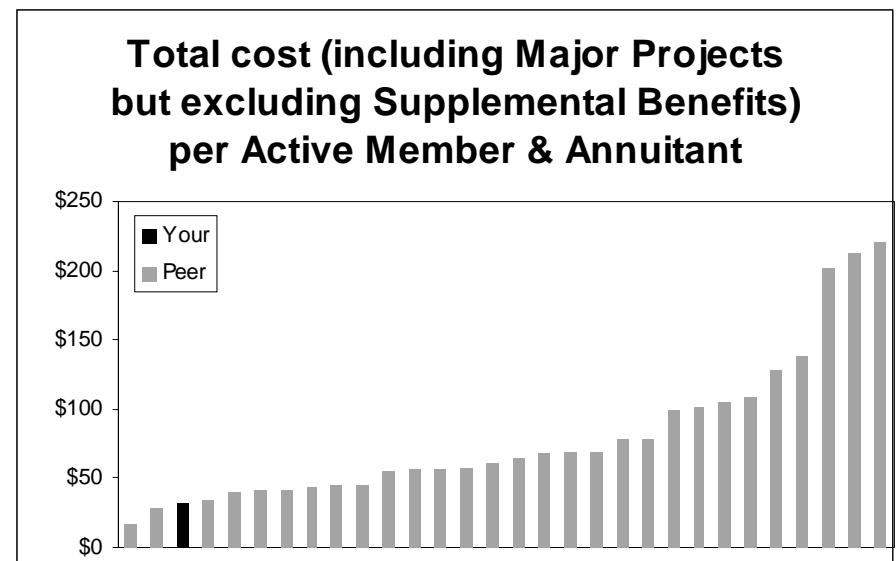
Your Overall Service Level score is 69 out of 100.

Your overall service level score reflects close to or below median performance in most activities (see next page).

One activity where you performed particularly poorly was Pension Estimates because:

• It takes you 14 days, on average, to provide a written estimate, the peer median is 10 days.

• You cannot provide estimates over the phone based on real time access to member data, whereas 60% of your peers can.

• You do not have a web based calculator for estimates, whereas 77% of your peers do.

• Your pension estimate is missing the following key content: (i) details of whether the benefit is inflation protected or not (34% of your peers describe), (ii) a description of how social security is or is not impacted by the benefit (25% of your peers describe), (iii) discussion of how to improve the benefit such as purchasing service credit (24% of your peers describe), and (iv) modeling of alternative payment options (93% of your peers do).

## Overall Service Level Scores out of 100
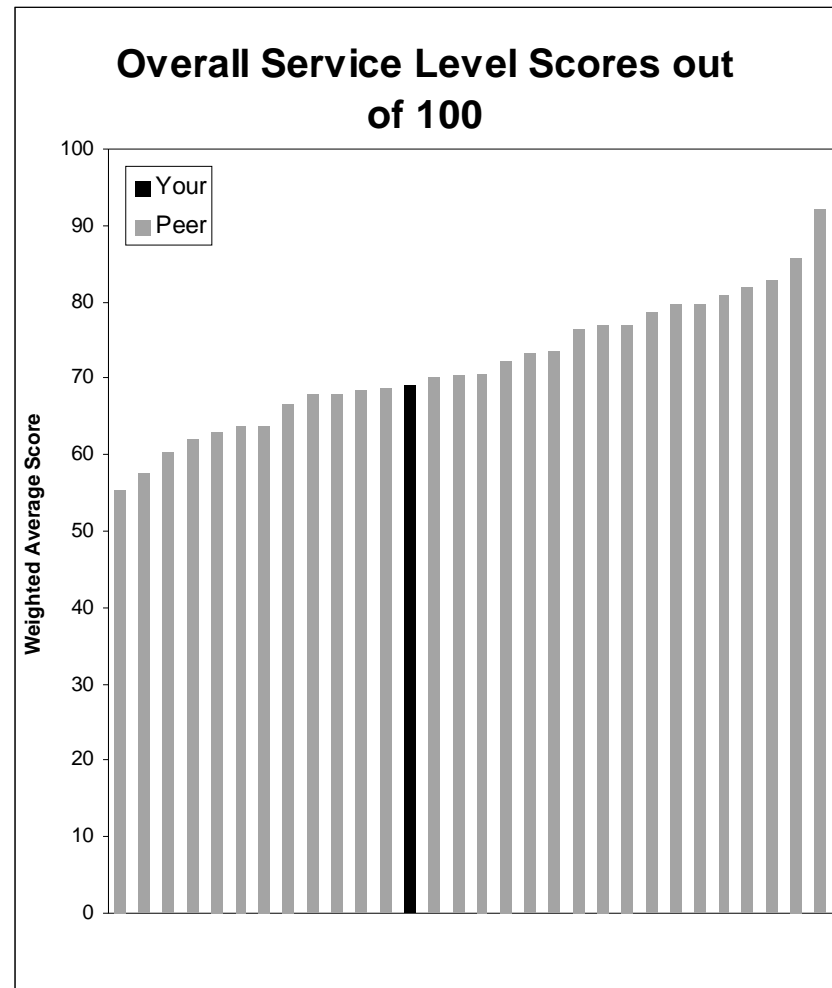
Your overall score is not nearly as important as understanding why you rank where you do. Some of the activities included in the overall measure may not be important to you or your members. Also, remember that it is not always cost effective to have a high score. It is higher service to have a call center open 24 hours a day but it is not cost effective to do so.

Benefit ESTimator (BEST)

- Providing an estimate of benefits is one of the most popular items offered. The "Wave" will increase the number of these requests.

- Members less than 18 months away from retirement receive an estimate from VRS.

- To reduce costs, improve service and meet volume demand, this will be an offering on the Web site.

- Beginning July 30, the BEST will be rolled out to all employers in phases.
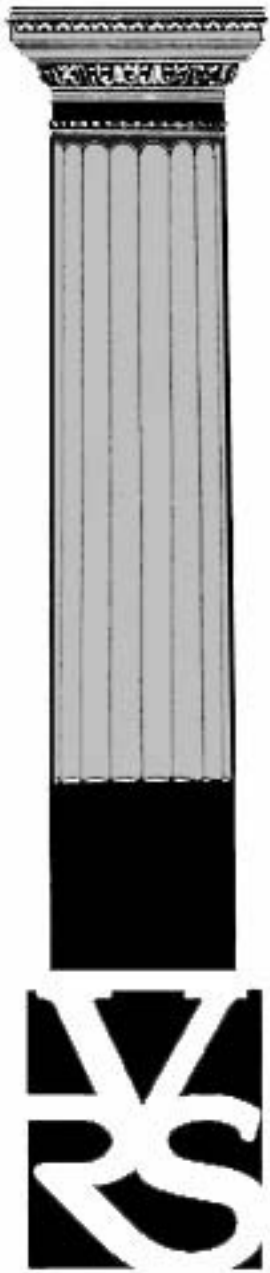
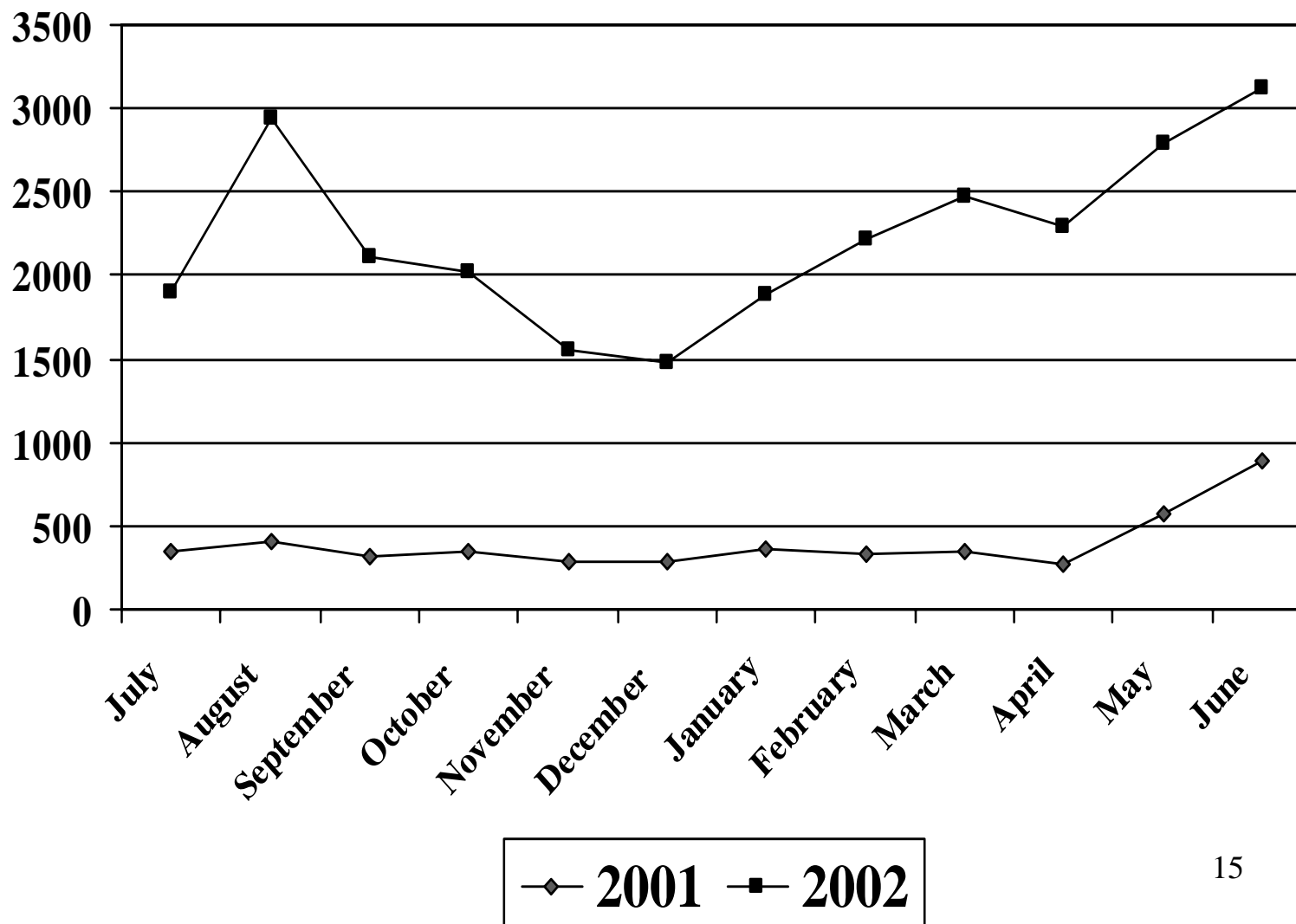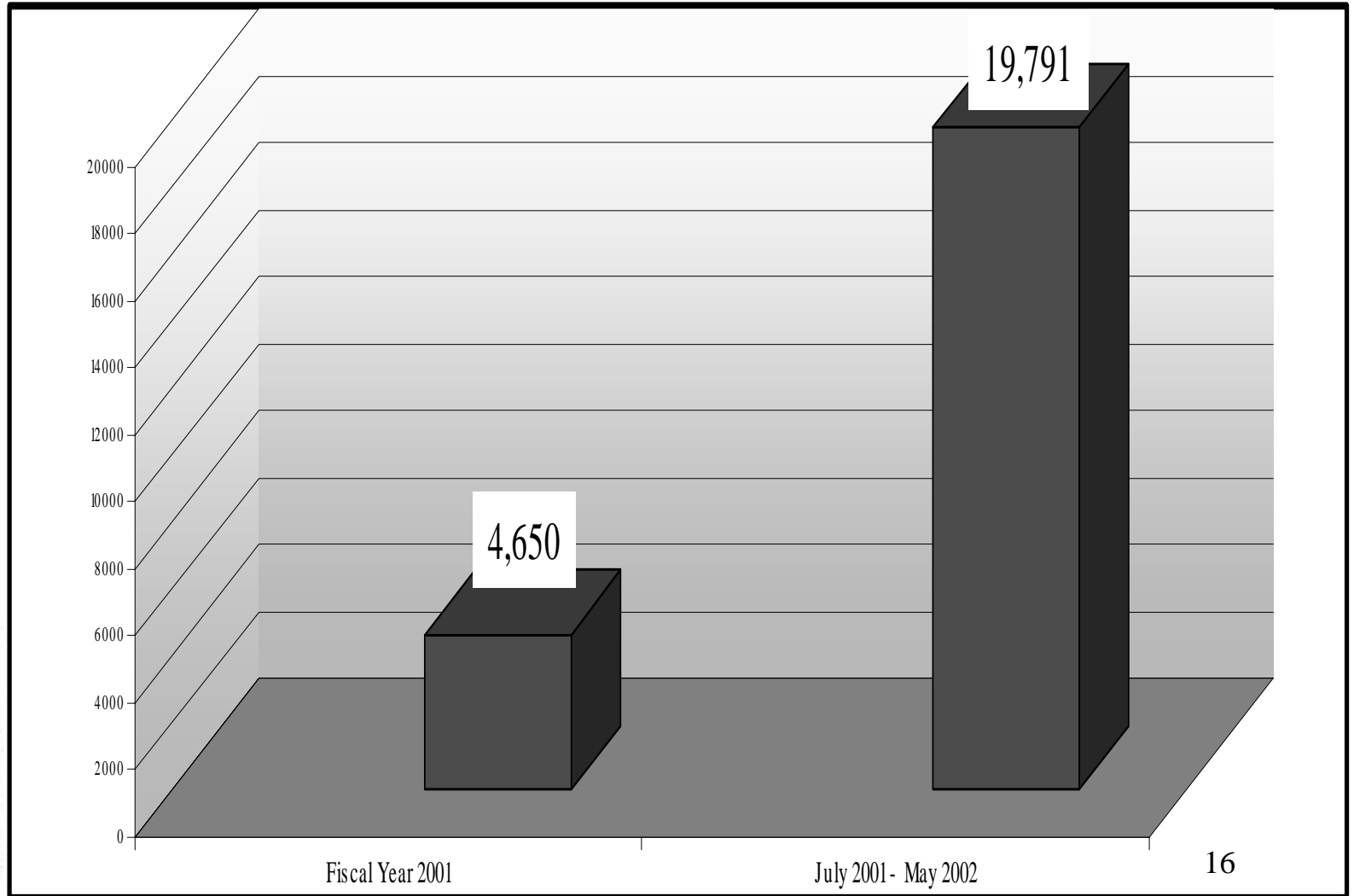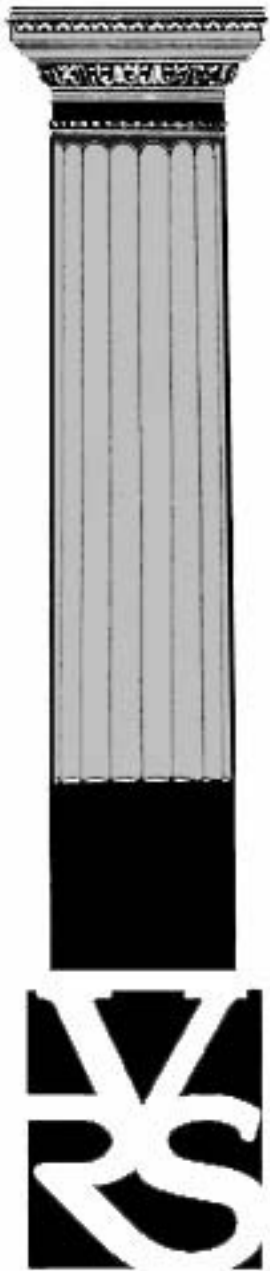# Pension Estimates To Be Processed

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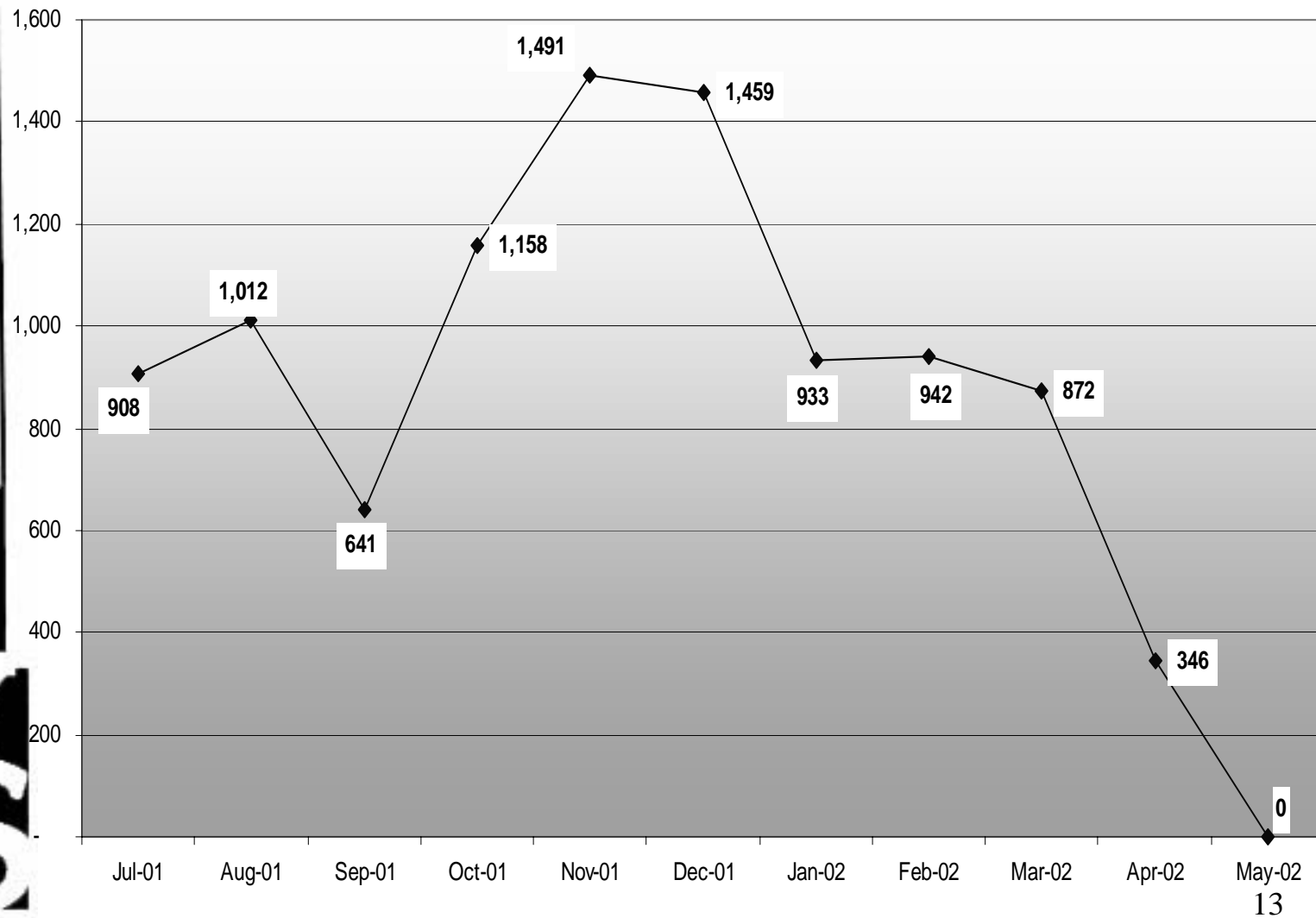
Purchase of Service Applications Received

	FY 2001	FY 2002	% of change
July	350	1,894	441%
August	412	2,947	615%
September	316	2,111	568%
October	346	2,027	486%
November	282	1,551	450%
December	291	1,481	409%
January	360	1,885	424%
February	333	2,223	568%
March	354	2,478	600%
April	267	2,291	758%
May	572	2,792	388%
June	883	3,124	354%
Total	**4,766**	**25,880**	**543%**

Purchase of Service Applications Received

	3500											
	3000											
	2500											
	2000											
	1500											
	1000											
	500											
	0											

July August September October November December January February March April May June

→ 2001 → 2002

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Purchase of Service Applications Processed

Bar chart:
- Fiscal Year 2001: 4,650
- July 2001 - May 2002: 19,791
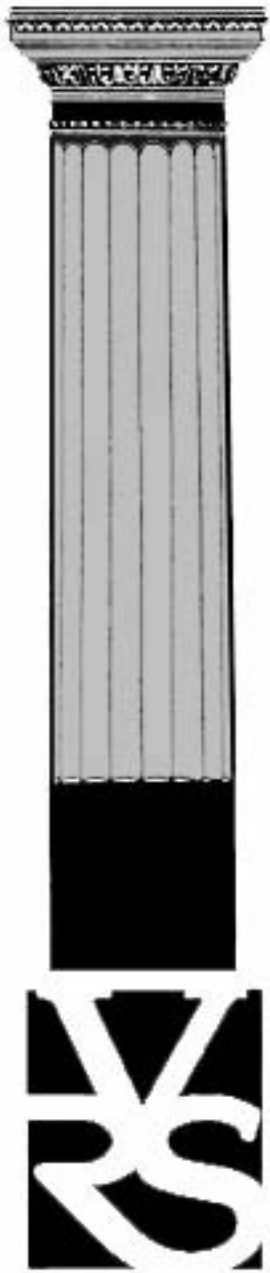
Purchase of Prior Service
FY 2002

Prior Service Purchases

	Age 20-29	30-39	40-49	50-59	60-69
Local	25	207	757	1198	363
Teachers	12	91	652	2375	432
State	50	341	1169	2355	674

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Questions